

OFFICE OF THE CITY MANAGER NO. LTC # 422-2013

## LETTER TO COMMISSION

TO:

Mayor Philip Levine and Members of the City Commission

FROM:

Jimmy L. Morales, City Manager

DATE:

December 2, 2013

SUBJECT: Budget Advisory Committee Molion

The Budget Advisory Committee would like you to be aware of the attached motion regarding recommendations for the City's Resort Tax Reserve Policy, approved at their October 29, 2013, committee meeting.

The City of Miami Beach is at relatively high risk for unexpected declines in resort tax revenue. Resort Taxes are a volatile funding source as tourism is vulnerable to sudden changes in economic conditions. Resort Taxes can be impacted by unanticipated events such as: hurricanes, red tides, oil spills, currency conversion rates, terrorist events, etc. In addition, the Resort Tax Fund currently transfers \$32.9 million to the General Fund. This increases the risk factor as any significant negative impacts to resort tax revenues will impact programs and services in both the Resort Tax Fund as well as the General Fund. The City does not currently have a formal reserve policy for the Resort Tax Fund.

Attachment

JLM/KGB/JW

RECHIVED

2013 DEC -3 AM 9: 37

CITY CLERK'S OFFICE

## City of Miami Beach Budget Advisory Committee

Meeting of October 29, 2013

Members Present: Jack Benveniste, John Gardiner, Marc Gidney, Laurence Herrup, Stephen Hertz, Dushan Koller, Jacqueline Lalonde, and David Lancz

Members Absent: No members absent

Motion made by Marc Gidney
Motion seconded by Stephen Hertz

Motion Text:

The Budget Advisory Committee requests the Mayor and Commission support recommendations for the City's Resort Tax Fund Reserve Policy as follows:

- The City of Miami Beach shall maintain a minimum reserve in the Resort Tax Fund of two
  months of total revenue and shall have a goal of maintaining a minimum reserve equal to six
  months of total revenue.
- 2. Said goal of six months of total revenue shall be established within the timeframe of ten years effective as of October 1, 2014.
- 3. A permanent contingency reserve is hereby established in an amount not less than two months of total revenues of the annual fiscal budget in the Resort Tax Fund to be held for use in a public emergency if and when an emergency affecting life, health, property, public safety, or a significant economic impact on resort tax collections, and the expenditure of such funds is authorized by a five-sevenths (5/7) vote of the City Commission.
- 4. Said contingency reserve shall be increased or decreased annually but shall be maintained at a minimum amount of two months of total revenues of the then existing Resort Tax Fund Budget.
- 5. Prior to any expenditures from this reserve, the Mayor and City Commission must declare an emergency affecting life, health, property, public safety, or a significant economic impact on resort tax collections, and authorize said expenditures by a five-sevenths (5/7) vote. The Administration is directed to restore the reserve to its aforementioned level in an amount of not less than five hundred thousand dollars (\$500,000) annually, by an amendment to the Adopted Resort Tax Fund Budget.
- 6. The Budget Director should make an annual recommendation as to whether additional deposits can be made in any given year toward achieving said goal.

The Budget Advisory Committee urges the Mayor and Commission to support the above request.

Motion Passage: Votes <u>8-0</u>